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**Decision Making of Consumers in
Multiple Problem Debts: A Qualitative Study**

Submitted for the degree of Master of Research (MRes)

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Abstract

Personal unsecured debt has been a growing problem in the UK over recent decades (Grant Thornton, 2009; Livingston & Lunt, 1992). In the British context, literature in the field of personal debts has documented the role of economic, demographic, social, behavioural and psychological factors (Lunt & Livingstone, 1991; Livingstone & Lunt, 1992; Lea et al., 1993; 1995). However, existing literature fails to adequately take into account the role of certain psychological factors such as personality and self control, which are expected to be important for debtors' decision making. In addition, an interpretive study into decision making of debtors is largely lacking. Moreover, literature in the field appears to have lagged behind the growth of personal debts in the UK, with the last major study reported in the mid-nineties (Lea et al., 1995). This research attempts to overcome such limitations and follows a qualitative research design for the same. The data for the research was collected from the online discussions of debtors from an internet discussion board dedicated to personal debts (Motley Fool, 2010). The data collection was focussed on debtors' discussions regarding their decisions pertaining to their debts to be able to identify the underlying themes. The data was coded using thematic coding (Strauss, 1987; Flick, 1998) and subsumed into categories to identify the emerging themes, which were tracked with literature to arrive at the factors important for decision making of consumers in multiple problem debts. Five factors; self control and impulsiveness; personality; locus of control; social comparisons and weak money management styles were found to be important for decision making of debtors.

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Abstract

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Dedication

To my wife, Dr. Shalini Vohra

Acknowledgement

I would like to thank my family. I am extremely grateful to my wife, Dr. Shalini Vohra for her extraordinary support, cooperation and encouragement throughout the MRes and especially for the dissertation. I would not have been able to accomplish this dissertation had it not been for her. I am indebted to my wife for the confidence she has kept in me throughout. I would also like to thank my mother-in-law, Dr. Renu Vohra and father-in law, Dr Adarsh Vohra, for their motivation and blessings during my MRes.

Chapter 1 Aims and Objectives

1.1 Research Title

Decision making of consumers in multiple problem debts.

1.2 Aim of the Research

The research aims at studying the decision making of consumers with multiple problem debts. Problem debts may be defined as a customer's involuntary inability to make payments to the lender, which owing to the agreement between them, the lender expects to be made in a pre-defined time scale. The focus of this research is the decisions of consumers (debtors) pertaining to their unsecured debts (excluding mortgages and secured borrowings) which they are unable to repay within the initially agreed repayment period.

Various literatures have studied personal debt in the British context (Livingstone & Lunt, 1992; Lunt & Livingstone, 1991; Lea et al., 1993; 1995). In their research, Livingstone and Lunt (1992; Lunt & Livingstone, 1991) studied a sample of general population out of which a proportion was in debt. They reported economic, social and psychological factors, which were in turn derived from consumers' responses in a survey study. Lea et al. (1993; 1995) studied a sample of consumers in a survey study, who were in debt with a utility company and thus, got a restricted view of consumer debts as they are further comprised of personal loans, credit card debts, mail orders etc. Existing literature has given little attention to factors such as personality, self-control etc. which can be expected to have an important influence on consumer decisions. Moreover, academic literature has not kept up with the growth in the field of personal debt as there appears to be no significant research

reported after mid-90s. Thus, the current research aims to address the gap in the existing body of knowledge by studying real decisions made by debtors. The research would attempt to answer the following research questions:

- Which factors are important to the decision making of consumers in multiple problem debts?
- In particular, what is the role of internal factors such as personality and self control, in debt related decisions?

1.3 The British Context

The current research has been conducted in the British context. In order to understand the significance of the research, it is important to understand the scale of the problem of personal debts in the UK. Personal unsecured debt has been a growing problem in the UK over recent decades (Grant Thornton, 2009; Livingston & Lunt, 1992). However, the current economic troubles have illustrated the extent of this problem, with total UK personal debt, at the end of July 2010, valued at £1,456 billion; equivalent to an average household debt of £18,000 (Credit Action, 2010). Consequently the Citizens Advice Bureau (CAB) is currently dealing with 9,000 new debt cases each day, with an individual declared bankrupt or insolvent every four minutes (Credit Action, 2010).

The field of personal debt has garnered major interest from the public and private sector alike. Owing to the increasing problem of personal bad debts, the UK government is highly involved with providing debt advice, support and intermediary service through charities, such as the Citizens Advice Bureau. The financial services industry is equally

involved, being the major stakeholders of such debts, and have funded the leading debt management charity in the UK, Consumer Credit Counseling Service (CCCS, 2008).

In the view of above, it is important to understand the reasons and factors behind the problem of growing unsecured personal debts. The current research will help create a better understanding of debtors' decision making. The findings of the research can pave the way for academic literature to re-focus on the field of personal unsecured debts as the research will provide an insight into the problem in the current context. Further, the research findings can be used by the financial sector and charities to be able to help and counsel such debtors and also, create interventions, which may prevent consumers getting into multiple debts.

Chapter 2 Literature Review

2.1 Introduction

Debt has been identified as the involuntary inability to make payments which the payee expects to be made immediately, rather than credit use, which can be characterised as a postponement of payment that is agreed, indeed planned, by both borrower and lender (Lea et al., 1995)

Personal debts have been linked to positive attitudes towards credit use, i.e. those in debt have been reported to have a positive attitude towards credit use (Lunt & Livingstone, 1991) and such an attitude can be viewed as the initial step, which can lead to problem debts in certain cases. Further, personal debts have been associated with a wide variety of reasons. Researches have cited varied factors for consumers being in debt including economic, demographic, social, behavioural and psychological (Cameron & Golby, 1990; Lea et al., 1995; Livingstone & Lunt, 1992) factors, which are discussed henceforth.

2.2 Economic and Demographic Factors

The current research aims to focus on individual-related factors. However, in order to understand individual motivations behind decisions, which can lead to multiple problem debts, it is important to understand individual circumstances and their impact i.e. the impact of their age, income, family status, education etc. Within the debt literature, economic and demographic factors have traditionally included factors such as money management, income, age, family status, education etc. Research has shown that those who are more likely to have debt problems are young (Berthoud & Kempson, 1990;

Hartropp et al., 1987) and have dependent children (Hartropp et al., 1987). Livingstone and Lunt (1991) provided an explanation for the young age of debtors that this reflects generational differences particularly in attitudes towards debt rather than different economic demands as a function of one's stage in the life cycle. Debtors are reported to feel morally obliged to pay what they owed, but often could not do so because of external problems, especially unemployment, divorce or unexpectedly large bills (Hartropp et al., 1987). Although it is often those with lower incomes who suffer more as a result of their debts (Berthoud and Kempson, 1990), literature has shown that higher someone's income, the more they are likely to owe (Cameron & Golby, 1990; Parker, 1988). Cameron and Golby (1990) offered two explanations for the often-observed positive correlation between debt and income. First explanation stems from the relative income hypothesis (Duesenberry, 1949), where social comparison processes drive people to consume and borrow more, in order to keep up as their income rises and as their peers become richer. The second explanation suggests that those in higher debt are people who take financial risks based on often unreasonable expectations of the payoff, which suggests, though not conclusively supports, a negative correlation between self-control (non risk-loving) and level of debts.

Berthoud and Kempson's (1990) findings have been critiqued. In their extensive research on personal debts on a general sample based in Oxford area of UK, which included consumers who self-declared themselves in debt, Livingstone and Lunt (1992) studied socio-demographic, economic and psychological factors that affect consumers in debt. They found that key financial factors such as disposable income were unrelated to being in debt and emphasised that amount of personal savings was an important financial variable,

for those in debt were found to have lesser amounts of savings than those not in debt, which was contrary to the findings of Berthoud and Kempson (1990).

Further, Lea et al. (1993; 1995) researched a sample of utility company customers, some of who were in debt with the utility provider at the time. They reported weak money management as the most important economic factor, consistent with the findings of Cameron and Golby (1990) and Walker et al. (1992), whose related concept of over-commitment was identified as significantly correlated with the extent of debt. Research has shown that debtors often admitted to a weak money management style (Walker et al., 1992; Lea et al., 1993; 1995). Lunt and Livingstone (1991) reported that non-debtors identified careless budgeting and a lack of knowledge and understanding of financial matters as among the reasons why other people get into debt. Furthermore, Lea et al. (1993; 1995) found that high outgoings (more children in household) and other signs of economic vulnerability (rented rather than owned housing, lack of full time work, etc.) were significantly associated with consumers being in debt, thus supporting findings of Hartropp et al. (1987).

Literature has identified a wide variety of economic and demographic factors that influence consumers in debt. Significantly, Livingstone and Lunt (1992) concluded that the economic variables accounted for half of the variance explained in predicting a consumer's debt, while psychological and other variables, which are discussed in the subsequent sections, accounted for the remainder.

2.3 Social Factors

In addition to the economic and demographic factors, it is important to understand the social factors that operate around an individual, in order to create a comprehensive understanding of how they make decisions, which the current research aims to achieve. Social factors are expected to encompass factors such as family background, peer pressure and societal expectations.

There is a widespread view that social attitudes to debt have changed radically during the twentieth century, with a shift from general abhorrence of debt to acceptance of credit, which as discussed in the next section, is closely related to debt, as a part of a modern consumer society (Lea et al., 1993; 1995). Lea et al. (1993) referred to the possibility of a growing "culture of indebtedness", where debt is seen as more common and tolerable. Consistent with such a culture, Tokunaga (1993) found that people's reports of their parents' use of and views on credit correlated with their own ability to use credit successfully. In addition, Lea et al. (1995) argued that the economic socialization index had a substantial independent association with debt category. This index reflected respondents' recollections of their parents' financial status (absolute and relative to themselves) and the age at which they no longer received pocket money from their parents. Lea et al. (1995) speculated that debtors tend to be people whose parents were relatively well off, but who became more independent of their parents earlier.

Social comparisons i.e "keeping up with the Joneses", and also, status-driven consumption and expenditure, have been found to be important factors, which lead to debt (Lunt & Livingstone, 1991). In an explanation, Lunt and Livingstone (1991) argued social

comparisons become important as consumers view themselves as belonging to a certain strata of the society, which may or may not exist. Further, consumers at times like to compare themselves with those who they consider to be their superiors and like to 'keep up' with them, such a comparison was referred to as 'keeping up with the Joneses'. Also, consumers at times buy goods and services to match their perceived status, which they cannot afford and can thus, lead to problem debts. However, Walker et al. (1992) failed to find support for this proposition and reported that debtors never used these social comparisons to account for their own debts. Walker et al.'s (1992) findings could be argued to be influenced by the fact that their sample consisted of consumers who had a debt with a utility company and thus, failed to reflect the impact of social comparisons.

Literature has investigated the role of social factors as an influence that affects consumers in debt. The next section discusses the role of psychological and behavioural factors.

2.4 Psychological and Behavioural Factors

The existing literature has identified a wide variety of psychological and behavioural factors that have an influence on consumer debt. These set of factors have an important role for the current research as it aims to study a) the consumer debts and an individual consumer's motivations behind debt related decisions and b) role of consumers' intrinsic factors in their debt-related decisions.

Literature has found a strong link between individuals having more favourable attitudes towards credit by individuals and the number of credit commitments they have (Berthoud & Kempson, 1990; Livingstone & Lunt, 1992). In relation to the attribution items, i.e.

what the consumers attributed their debts to, Livingstone and Lunt (1992) reported that those in debt tended to emphasise either internal factors concerning loss of control or external and general factors such as ease of getting credit, irresponsible lending etc., connected with the credit system. They argue that those with the attitudes, which see credit as useful, convenient, and part of modern life do not avoid debt but rather accept it as a means of satisfying needs. In comparison, non-debtors view credit as debt, shameful, something to be avoided and a source of problems. Further, credit-averse consumers believe that one should save up in order to ultimately satisfy needs and wants, and hence such people (non-debtors) build up their savings with their resources rather than servicing their debts. Such a finding represents a difference in the attitudes of debtors and non-debtors, in addition to the attitude that society as a whole has towards credit, as discussed in the last section. Such a difference in attitudes can further illuminate the fact that age of debtor is an important predictor of debt as younger people are reported to have more pro-credit/debt attitude. Also, difference in attitudes towards debt explains Livingstone and Lunt's (1992) conclusion that disposable income is unrelated to indebtedness, as it depends primarily on consumers' attitude rather than their income. It is important to accommodate this finding in the current research and study debtors with a wide range of incomes.

Further, Livingstone & Lunt (1992) reported that debtors are more likely to attribute their financial problems to the credit system, i.e. the convenience of credit and high credit limits as well as those internal factors which centre on personal control, such as lack of self-discipline and careless budgeting. Debtors were also found to attribute their problems to their pleasure in consumption, such as enjoying shopping and greed.

In attribution terms (Lunt, 1989), these attributions vary in locus i.e. can range from complete blaming to partial blaming of circumstances and others, but remain consistently stable, tending to reflect a perceived lack of control over events in one's life. Similarly, debtors were reported to feel less in control of their finances, make more impulse purchases, and hence, got into debt more easily. These findings were in contrast with the explanations offered for those with problem debts, whose explanations were based on unstable, uncontrollable, external disasters (Hartropp et al. 1987). Moreover, Livingstone and Lunt (1992) concluded that debtors used flexible budgeting strategies, varying their budgeting according to the situation, leading to loss of control and expressed their social worth and social relations through consumption. Tokunaga (1993) also suggested that people with a strongly external locus of control were more likely to get into debt. These set of findings reported by the existing literature are critical for the current research. The findings hint at various intrinsic factors but fail to empirically test them or establish a clear linkage with debt. As discussed later in the chapter, Livingstone and Lunt's (1992) findings bear close resemblance with fields of self-control and impulsiveness; however the authors did not make any claims related to such factors. In addition, these findings hint at the role of personality by way of acknowledging traits such as lack of control, impulsiveness etc. Thus, existing debt literature has lacked in identifying the role of factors such as self-control, locus of control and personality, which the current research aims to focus on.

Walker et al. (1992) found that people with serious debt problems regarded certain kinds of expenditures on children (for example fashion goods and substantial Christmas gifts) as necessities, and had a tendency to run into debt in order to maintain them, even though many people classified such goods as luxuries.

Within debtors, those who owe more are reported to be aware of the complications and problems which credit may bring, but still felt that credit is necessary, as they preferred to have possessions now than to save up for them. Those who were more in debt endorsed the external locus of control, were less cool, calm and reassuring in their coping strategies (Livingstone & Lunt, 1992). Thus, existing literature has hinted at the role of personality by linking debt behaviour to aspects of personality such as coping strategies, impatience, impulsiveness etc. but has lacked in empirically testing any such claims. Since, the current research aims to identify intrinsic factors and motivations that lead consumers into multiple problem debts, it is crucial to study the role of intrinsic factors related to an individual such as personality and self-control.

Research has found support for a wide variety of factors as having a link with debts; a) economic factors including income, money management style, b) social factors such as social comparisons, family background etc. and c) behavioural and psychological factors such as attitude towards credit, locus of control, pleasure in consumption etc., which have been supported by further research (Cameron & Golby, 1990, Livingstone & Lunt, 1992; Lea et al., 1993; 1995; Tokunaga, 1993). However, certain factors find mention in the literature but have not been investigated empirically. These include self control (Cameron & Golby, 1990) and personality (Livingstone & Lunt, 1992; Lea et al., 1995), where authors have hinted at traits such as impulsiveness, impatience, denial etc. as being important in the decision-making of consumers in debt. The following section discusses literature, which is expected to be relevant to the current research.

2.5 Additional Literature

This section discusses literature pertaining to the fields of personality, self control and closely related concepts of impulsivity and locus of control in order to generate a better understanding of the results of the current research.

2.5.1 Personality

Personality has been identified as a key factor influencing decision making (Chaplin et al., 1988). In addition, debt literature has hinted on certain trait terms such as impatience, impulsiveness, denial, ineffective coping strategies to be relevant for debtors (Livingstone & Lunt, 1992). However, existing debt literature has not empirically investigated the role and influence of personality on debt or debtors. Further, the current research aims to focus on role of intrinsic factors, hence it is expected that personality will have an influence on decision-making of debtors as well.

Personality can be conceptualised in many different ways (Mischel, 1986). One such theory, the trait theory has the advantage of being reliable and quantifiable (Kline, 1983). The origins of trait theory can be traced to the work of Allport and Odbert (1936). After decades of debate and development (Eysenck, 1959, 1967, 1972; Eysenck & Eysenck, 1964; Cattell, 1943, 1945, 1957; Cattell et al., 1970), a consensus emerged among trait researchers for the five factor model of personality called big 5 (Pervin & John, 1997; John & Srivastava, 1999). Traits have a narrow definition but are correlated with each other, whereas a combination of traits form superfactors, which covered a broader range of behaviour and are analogous to big 5 (Cattell, 1957; Eysenck, 1967).

The Five-Factor Model of personality has been vigorously advocated and conceptualized by Goldberg (1990; 1992). This model assumes that an individual's personality can be described as a combination of five specific factors. These five factors include Neuroticism, Extraversion, Openness, Agreeableness and Conscientiousness. The big 5 factors have traditionally been named and numbered as I. Surgency (or Extraversion); II. Agreeableness; III. Conscientiousness (or Dependability); IV. Emotional Stability (vs. Neuroticism) and V. Culture, Intellect or Openness'. The Big 5 can be defined as follows: Neuroticism (N) identifies individuals prone to psychological distress, unrealistic ideas, excessive cravings or urges and maladaptive coping responses (Costa and McCrae, 1985, 1992). Neuroticism is generally described using words such as fearful, anxious, pessimistic, worried and insecure (Barrick & Mount, 1991; Judge et al., 1997). Neurotic individuals are depressed, anxious and unstable.

Extraversion (E) assesses quantity and intensity of interpersonal interaction, activity level, need for stimulation and capacity for joy (Costa and McCrae, 1985, 1992). Extraversion is considered to encompass sociability and talkativeness and the ability to make friends with others (Cabrera et al., 2006). Extraverts show the tendency to be sociable, talkative and ambitious (Pervin & John, 1997).

Openness (O) assesses proactive seeking and appreciation of experience for its own sake, tolerance for and exploration of the unfamiliar (Costa and McCrae, 1985, 1992). Openness is described with adjectives like imaginative, curious, original, broad-minded, and intelligent (Barrick & Mount, 1991). Individuals with high levels of openness enjoy new things, knowledge and experiences (Wang & Yang, 2007).

Agreeableness (A) assesses the quality of one's interpersonal orientation along a continuum from compassion to antagonism in thoughts feelings and actions (Costa and McCrae, 1985, 1992). Agreeableness often refers to courteous, flexible, good-natured, cooperative and tolerant individuals (Barrick & Mount, 1991; Costa & McCrae, 1992). Agreeable people are cooperative, cheerful and supportive of others (Wang & Yang, 2007). Lack of agreeableness or low on agreeable individuals can be expected to have opposite traits.

Conscientiousness (C) assesses the individual's degree of organisation, persistence and motivation in goal-directed behaviour. It contrasts dependable, fastidious people with those who are lackadaisical and sloppy (Costa and McCrae, 1985, 1992). Conscientiousness is the tendency to be organized, efficient, and systematic (Barrick & Mount, 1991; Saucier, 1994). Conscientious individuals are punctual, reliable, determined, and likely to have a strong need for achievement (Digman & Takemoto-Chock, 1981; Costa & McCrae, 1992). Lack of conscientiousness can be expected to be the opposite of the above.

The 50-year longitudinal study by Soldz and Vaillant (1999) confirmed that the Five-Factor Model of personality is highly stable. It has been empirically tested in different countries and reported in many languages (e.g. Cabrera et al., 2006; McCrae & Costa, 1997; Veisson, 2001).

Personality has been reported as a significant influence factor in various contexts in consumer behaviour. Consumer behaviour research has found that individuals' personality

is an important predictor of brand preference as well as product choice (Aaker, 1997; Malhotra, 1988). There has been a reported link between employees' personalities and job performance (Barrick & Mount, 1991; Tett & Burnett, 2003) and also between a salesperson's personality and consumers' perceived service quality (Teng et al., 2007). Certain tourism studies have further suggested that personality is related to vacation destination choices, leisure activities and also other travel-related decisions (Madrigal, 1995; Roehl & Fesenmaier, 1992).

Thus, literature has found evidence of personality contributing to varied aspects of consumer behaviour. Further, debt literature has hinted at personality traits such as impulsive, impatient etc. being relevant to debtors. Therefore, it is expected that personality will have an influence on debt behaviour, which the current research aims at investigating empirically. Given that personality can be studied in many ways, the current research will rely on trait theory as it has been well-established and found to be a reliable and valid model of personality.

2.5.2 Self Control and Impulsiveness

Strotz's (1956) research on self-control aimed to study the deliberate regimenting of future economic behaviour by an individual, even if at a cost. It can be expected that self-control can be relevant to the current research as it aims to study an individual consumers' behaviour and decisions regarding his/her debts. Strotz claimed that a person who fails to own up to his past actions on a continuous basis may learn to distrust his future behaviour and do something about it. Strotz (1956) suggested that under such circumstances, an individual may take two kinds of action, a) enforcing safeguards on his future activities

either irrevocably or by applying a self-penalty in case of misbehaviour, termed as the strategy of pre-commitment or b) resigning himself to the internal conflict and making a decision that his “optimal” plan cannot be attained even in the future and selecting the best possible present action in light of future disobedience, termed as the strategy of consistent planning (Strotz, 1956). He stated that ‘unpleasant things, which today we want to do sometime in the future are continually put off until tomorrow unless we can find some way of pre-committing ourselves to actually doing the task tomorrow’ (p.173). Further, ‘the general problem of inter-temporal utility maximization is that of an economic decision-maker who must choose among various possible functions relating his economic activities to time’ (Strotz, 1956; p.166). Given the domain of the current research, it can be suspected that debtors might view acknowledging their debt as ‘unpleasant’ and might postpone addressing the problem, leading to the problem getting graver i.e. debts leading to multiple problem debts. In addition, debtors might view further spending as utility-maximisation in the interim, further aggravating the problem.

Thaler and Shefrin (1981) stated that ‘in Strotz’s formulation a conflict occurs between today’s preferences and tomorrow’s preferences’ (p.394). Thaler and Shefrin (1981) presented an alternative model of self control, which suggested man as having two sets of preferences that are in conflict at a single point in time. Thaler and Shefrin (1981) viewed an individual as an organisation and identified the conflict between short-run and long-run preferences that may arise. They differentiated between the planner and the doer, where planner is concerned with lifetime utility, doer exists only in the present and is selfish, and myopic. The doer is speculated to influence individual action and thus, the planner needs to employ pre-commitment techniques (Thaler & Shefrin, 1981). Thaler and Shefrin

suggest that 'in order to control the doer's actions, the planner requires some psychic technology capable of affecting the doer's behaviour. 1) The doer can be given discretion in which case either his preferences must be modified or his incentives must be altered, or 2) the doer's set of choices may instead be limited by imposing rules that change the constraints the doer faces' (1981:p. 395). Further they reported that in order to alter incentives, individuals' use three basic techniques: a) direct modification of the doer's preferences, b) explicitly monitoring the inputs to a savings program via weekly budgets and c) explicitly altering incentives. Such a concept is expected to be relevant in case of debtors as they may take on the role of planner and pre-commit themselves to get out of debt or take the role of doer and continue to compound their debt problems. This needs to be investigated empirically in order to establish the relevance of self-control as far as debtors' decision making is concerned.

The variables of self-control and impulsivity assume significance for the current research as they might explain how and why consumers experience "sudden, often powerful urge(s) to buy something immediately" (Rook, 1987) that can involve temporary overriding of long-term preferences. Time-inconsistent behaviour is of special interest to economists because of its significance for macro-economic policy (Kydland and Prescott, 1977) and savings behaviour (Thaler & Shefrin, 1981). Psychologists have been concerned mainly with the connection between impulsivity and dieting, addiction, and other self-regulation problems (Hoch & Loewenstein, 1991). Thus, it is expected to be relevant for debtors' behaviour as well.

Lack of self-control is associated with impatience, which is further related to an analogous concept of impulsiveness or impulsivity (Ainslie, 1975). The two terms are used interchangeably (Rook & Fisher, 1995). In the consumer behaviour literature, impulsive behaviour has been primarily associated with negative consequences in the areas of personal finance, post-purchase satisfaction, social reactions, and overall self-esteem (Rook, 1987; Rook & Hoch, 1985). Rook and Fisher (1995) proposed that consumers do not give in to all impulses and make a purchase. In their opinion, the moderating role is played by normative influences. They defined such normative evaluations as consumers' judgments about the appropriateness of making an impulsive purchase in a particular buying situation. Literature associates impulsive purchases with immature behaviour (Rook & Fisher, 1995). Theory suggests that such behavioural choices, which lead to impulsive purchases, would not have been made, had they been considered in terms of their long-term consequences rather than their immediate, gratifying benefits (Stigler & Becker, 1977). Impulse buying specifically has been linked to post-purchase financial problems, product disappointment, guilt feelings, and social disapproval (Rook, 1987). Thus, it is expected that such a concept will be highly relevant to the current research as impulse buying can lead to overspending, which is commonly viewed as one of the principal contributors to getting into debts and assumes significance for research into multiple problem debts.

In order to understand the above, it is imperative to clarify why consumers sometimes act inconsistently over time engaging in behaviour that would have been rejected if contemplated in advance and that may be regretted after the fact. An advanced model of impulsivity is the economic concept of discounting, which is proposed as an explanation of consumer impatience (Ainslie, 1975; Strotz, 1956). This model proposes that people are

disproportionately attracted to immediately available rewards. When two rewards (e.g. a dessert and good health) are both delayed, the consumers are able to make a rational trade-off. However, when one reward (the dessert) is imminent, it exerts a disproportionate attraction and thus, leads to consumption. It is reasonable to expect that such a disproportionate attraction will be relevant to consumers in actual purchase decisions and those susceptible to make such purchases can be more likely to get into debts.

Hoch and Loewenstein (1991) noted that this model still does not address the issue of why certain goods are subject to this attraction and why certain goods are not. They proposed an alternative model for time-inconsistent consumption by including desire as a variable, brought on by a shift in consumers' reference points. Hoch and Loewenstein (1991) proposed that the consumers' reference points can be shifted by a number of factors such as physical proximity in a store, which causes a consumer to partially adapt to the notion of owning or consuming the product. Once the reference point has shifted, a two-stage utility attribution takes place: a) consumers attach positive utility to the object itself (also referred to as existing desire before the reference-point shift) and b) they attach negative utility to failure to consume the object. In such a case, failure to purchase implies not only forgone pleasure from consumption but the individual also actually feels deprived. This deprivation is a psychological state of need analogous to physiological states of need (Hoch & Loewenstein, 1991).

The second factor has been reported as time-proximity as an inducer of impulsive decisions (Strotz, 1956; Ainslie, 1975) i.e. the more immediate a reward, the greater is its

reinforcing value (Chung & Herrnstein, 1967). Hence, the immediate availability of a reward will tend to increase the desire for it.

The third factor that appeared capable of inducing a reference-point shift was reported by Hoch and Loewenstein (1991) as social comparison. They reported that people faced with an adverse social comparison want what their more fortunate peers already possess, and they do not want to wait. For example, sociological research (Easterlin, 1974) suggests that people of all income levels tend to compare themselves with others who are slightly better off than they are. Such reference shifts can be expected to be more detrimental in case of debtors, which needs to be further investigated in the current research.

Existing literature on self-control and impulsiveness highlights certain important aspects, which can be expected to be extremely relevant for the current research. Among few, 'doer' with myopic short-term view (Strotz, 1956), physical and temporal proximity to products and social comparisons (Hoch & Loewenstein, 1991) might be important influences and motivations behind debtors decision making, which might have lead to their multiple debt problems.

2.5.3 Locus of Control

Tokunaga (1993) reported that those with an external locus of control are more likely to be in debt. Since, locus of control is an intrinsic factor to an individual consumer and has been largely unaddressed by debt literature except Tokunaga's (1993) finding, it is important to investigate its role in debtors' decision making and behaviour.

Busseri et al. (1998) provided a simple explanation of consumers' frame of mind when their locus of control (LoC) is external as "Sometimes I can't understand how I end up buying the kinds of things that I do." (p. 1067). Rotter (1966) discussed that people hold different beliefs about the extent to which their actions can have an effect on the outcomes in their lives. Further, Rotter (1966) argued that this perception of personal control and responsibility for personal successes and failures is described as one's LoC orientation, which can range from external, characterized by a limited belief in personal efficacy, to internal, characterized by the expectation that one can affect outcomes. As reported by Tokunaga (1993), those with an external orientation are more likely to be in debt as those with lower personal efficacy might blame their bad financial decisions on others and continue to repeat their mistakes, which can lead to multiple problem debts.

Busseri et al. (1998) argued that in certain belief areas, an internal LoC orientation, in contrast to externally oriented beliefs, has been found to be associated with more active attention to and assimilation of information pertinent to those outcomes. Internality is also associated with purposive decision making and confidence in the ability to succeed at valued tasks (Lefcourt, 1982).

Few studies have associated Locus of Control (LoC) beliefs to different kinds of economic behaviour. Rudnick and Deni (1980) found that internals (those with internal locus of control) were more interested than externals (those with external locus of control) in a subset of consumer goods that offered small risk of personal dissatisfaction. Dessart and Kuylen (1986) argued that persons who were more external in their orientations were more likely to experience financial difficulties and to act impulsively, and were less likely to

plan ahead, to act according to a plan, and to be well informed. Such evidence can prove to be crucial in case of debtors, who have been reported as impulsive (Livingstone & Lunt, 1992) and they are in extreme financial difficulties, thus it can be suspected that locus of control, another intrinsic factor can be an important influence behind debtors' decision making. Further, LoC orientations have also been reported to differentiate between savers and non-savers, regular savers being more internal in orientation than non-savers (Lunt & Livingstone, 1991). Thus, it can be expected to be relevant in the case of debtors and non-debtors as well.

Busseri et al. (1998) noted that the number of goods and services available to purchase, motivated by economic self-interest can make shopping replete with uncertainty. Further, they argued that those with internal LoC beliefs may be more likely to engage in budgeting, planning, bargain hunting, and so forth than their external counterparts who simply may consider the potential impact of their actions to be so minimal as to be pointless.

Although Tokunaga (1993) has reported a link between external LoC and debts, the literature on Locus of Control presents an interesting case for further investigation into the area. Given the focus of the current research, Locus of Control can be expected to emerge as an intrinsic factor that influences debtors' decision making.

2.6 Conclusion

Existing literature has identified economic, social, behavioural and psychological factors related to debt. Although, some factors such as social comparisons, attitude towards credit have found repeated support, literature remains largely silent on the role of an individual's intrinsic factors on their debt-related decisions. The current research aims to identify the factors that influence the decision-making of debtors, with attention to factors intrinsic to an individual, which are expected as per the literature to be important for debt related decisions.

Further, significant literatures on debt (Livingstone & Lunt, 1992; Lea et al., 1995) were empirically investigated with a sample of general consumers, out of which some were in debt. Thus, the results included respondents who might never have been in debt and the responses would have been based on assumptions of being in the situation. Livingstone & Lunt (1992) studied a sample of general population based in Oxford area of UK, which included consumers who self-declared themselves in debt. Lea et al. (1993; 1995) researched a sample of utility company customers, some of whom were in debt with the utility provider at the time, thus studying only utility debts. The current research aims to study decision making of real debtors, who are or have been in multiple problem debts. Further, most significant literatures on debt have researched the field quantitatively (Livingstone & Lunt, 1992; Lea et al., 1995), an interpretive study appears to be lacking in order to understand the motivations, influences and factors behind the decision-making of consumers.

Moreover, most of the significant literature in the field of personal unsecured debt dates to the early to mid-1990s. The level of average household debts in UK has multiplied from

£600 in 1990 (Berthoud & Kempson, 1990) to over £18,000 in 2010 (Credit Action, 2010).

Thus, it is reasonable to expect that the factors found relevant in early 1990s need further investigation.

The current research aims to address these gaps in the literature by identifying factors that influence decision-making of consumers in multiple problem debts through an exploratory study on a sample of such consumers in a much more recent context. The sample, data and methodology are discussed in the following chapters.

Chapter 3 Methods of Data Collection

3.1 Research Design

The aim of the current research is to study the decision-making of consumers in multiple problem debts. The research focuses on exploring how the debtors made their decisions and important factors behind the same. In order to do so, it is important to understand the debtors' beliefs and attitudes towards their existing debt, the prospective credit, their needs and wants, and their circumstances at large. The research designs available for the research were largely divided into two categories; a) quantitative and b) qualitative.

Quantitative researchers often reported to follow a research design, which is decided at the conception stage. Mostly, before they start the actual process of research, they pre-define the research design including the research question, hypothesis, sample, data, data collection and the data analysis to test the hypothesis. Precautions are taken in ways such as pilot study to decide on the course of research but the main phase of research is still the structured phase (Easterby-Smith et al., 2008; Hammersley, 2009). Hence, the research design is structured and inflexible to a large extent and bears a close resemblance to the ideology of positivism, whose main aim is to 'produce reliable measurements of controlled variables from which widely generalisable conclusions can be derived or against which theoretical or explanatory hypotheses can be tested' (Hammersley, 2009; p.42). However those with the ideology termed as interpretivism, argue that as far as social research is concerned, 'humans actively interpret their environment and themselves and thus, cannot be treated as scientific objects' (Hammersley, 2009; p.19). Qualitative researchers, who find their roots in interpretivism, argue that explanatory and theoretical research questions

cannot be answered only by testing hypotheses and such a research design undermines the purpose of research as being a 'discovery' (Hammersley, 2009; p.44).

In comparison, qualitative researchers are reported to start with a general idea that they intend to research. They are much more flexible in their approach to research. Often, their style is to explore the idea as they progress, in order to define the tenets of the research, the research question and the methods of analysis (Easterby-Smith et al., 2008). They 'emphasise the importance of developing explanations and theories'. Also, research questions are based on assumptions and it may be revealed during the research that these assumptions were flawed (Hammersley, 2009; p.44). Hence, qualitative researchers follow a largely unstructured research design and borrow a lot from the interpretivists' viewpoint in keeping their prior assumptions about the research and the subjects to minimum, treating each case differently and attempt to understand how people interpret their world with considerable sensitivity towards their cultural character, beliefs and attitudes (Easterby-Smith et al., 2008; Hammersley, 2009). Such a research design is often criticised from positivists' view, who insist that it is only possible to study in a rigorous fashion what is observable, which means only people's physical behaviour and not their thoughts. However, such behaviourism has not been universally accepted by positivists and even less by quantitative researchers (Hammersley, 2009). Hammersley and Atkinson (2007) have argued that in-order to reveal attitudes and beliefs, the broader set methodologies termed as qualitative are most beneficial. The current research aims to study the decision-making of debtors, which involves studying the influences and factors behind decisions made, which in turn includes study of attitude, beliefs, behaviour etc. Thus, the research design was envisaged to be qualitative in nature.

3.2 Data Collection

The current research aims to focus on decision making of consumers in multiple problem debts. In order to arrive at the set of factors that influence decision making of debtors, it is important to study the decision-making of real life debtors. In order to do so, it was envisaged that the data collection would need to revolve around the decision-making process of such consumers.

The data was initially expected to be collected by way of semi-structured in-depth interviews (Hammersley & Atkinson, 2007). A primary field research was undertaken to assess the issues of access and to recruit a sample of respondents for in-depth interviews from agencies such as Citizen Advice Bureaux (CAB) and local councils. This study revealed that increasingly debtors were seeking and were being encouraged by institutions such as CAB, councils, to seek debt advice / counselling on the internet and by telephone. Also, the researcher found it difficult to gain access to debtors to be able to interview them. The CABs and councils contacted for access proved to be non-responsive to the researchers' request for access. In addition, literature has noted that interviews can be problematic in research that concerns moralities and decision-making as it is difficult to ask such questions directly and depends heavily on respondents' willingness to talk candidly (Phillips & Harding, 1985).

Thus, the research focussed on data, which is natural, easily accessible and allows observing the decision-making in progress. A possible avenue was to view such decisions in groups, as has been done in case of investors (Vohra, 2010). However, no such groups could be found.

Given the difficulty in access for in-depth interviews and lack of any debtor groups, further study revealed that consumers in debt were an active community on the internet through the use of online discussion forums and blogs such as the 'Dealing with Debt' forum on The Motley Fool, UK (Motley Fool, 2010). Preliminary research on such forums revealed that consumers were deeply engaged in discussion, providing and seeking advice, sharing experiences, beliefs, attitudes, day-to-day decisions about their debts etc., on such discussion forums. Such forums have been termed as computer-mediated communities and been classified as a rich source of data especially for research concerning sensitive issues such as healthcare (Hogg et al., 2004). Further, data from such online resources is naturalistic, enables access to populations geographically and socially removed from the researcher and also enables longitudinal research (Hessler et al., 2003; Hookway, 2008). Thus, such data provides a unique opportunity to be a complete observer (Gold, 1958), which is extremely difficult to achieve in social research, thus eliminating research bias altogether further enhancing the validity of the research. Data from online discussion forums and blogs has been compared to diary studies and unsolicited focus groups (Hookway, 2008), thus providing rich, unbiased data in natural form (Hessler et al., 2003).

3.3 Sample

The process of coding used in the current research was the one proposed by Strauss (1987). The group to be studied was derived from the research questions. The research issue is concerned with multiple problem debts and thus, the sample consisted of debtors. Flick (1998) proposed a slight modification to Strauss's (1987) procedure, which could be

beneficial to the current research. Flick (1998) proposed that sampling should be oriented to the groups whose perspective on the issue is most instructive for the analysis, and are thus defined in advance rather than being derived from interpretation, as in Strauss's model. Thus, the current research chose a sample of consumers who reported to be in multiple problem debts in order to derive the factors that are important to their decision-making. Hence, theoretical sampling was used for the research and the sample was restricted when it appeared to reach theoretical saturation.

In order to study the decision-making of debtors who have multiple problem debts or had such debt in the past, data collection focussed on tracking online discussions and blogs of such debtors on Dealing with Debt board of the Motley fool website (Motley Fool, 2010). The debtors' discussions commonly involved candid revelations about their demographics including age, occupation, income etc., their day to day affairs, the statement of their debts, the way they were dealing with their debts, how successful were their attempts to deal with debts and the decisions they take to deal with the debts and their finances in general. A detailed search of the blogs was undertaken to track discussions of individual debtors, identified by their usernames. The prospective respondent sample needed to comprise of real debtors and be fairly representative of the debtor population. The respondents were carefully selected to generate a reasonable mix of ages, income, education and family background. In addition, those debtors were selected whose online discussions gave a clear story of the time when they were progressively generating debt in their name. The chosen debtors' discussions gave a reasonable depth of detail regarding the decisions they took while they were progressively getting into debts, thus enabling the researcher to analyse these discussions for themes, in order to arrive at the factors

important to the debtors' decision making. Eisenhardt (1989) argued for qualitative studies that '... while there is no ideal number of cases to include in a sample, a number between 4 and 10 usually works well'. Humphreys (2010) argues that sample should be restricted by the number that provides theoretical saturation for the research. Given the above considerations, the research tracked discussions of six debtors, whose biographies are given in section 4.2.2.

3.4 Ethical Considerations

Collection of data from online blogs and discussion forums involves a complex set of ethical considerations. On one hand, researchers argue that participant consent is not necessary as data is publicly available (Walther; 2002), on the other, some claim that although the data is available publicly, blogs are written with an expectation of privacy (Elgesem, 2002). Waskul and Douglas (1996) comment on data available from online resources and argue that such data is both 'publicly-private and privately-public' (p.131). In order to provide a resolution to the above debate, Hookway (2008) summarised that 'Blogging is a public act of writing for an implicit audience ...blogs that are interpreted by bloggers as 'private' are made 'friends only'. Thus, those blogs, which are not 'friends only' and are accessible, 'may be personal but they are not private' (p.105).

Further ethical consideration needs to be made for copyright. UK intellectual property office automatically protects any written material uploaded on the internet through copyright law. However, it does allow 'fair-dealing' of such materials. 'Fair dealing' is allowed where economic impact is not significant and the use is meant for non-commercial research, private study, criticism, review or reporting current events (Intellectual Property

Office, 2009). Since, the use of online data for this research is non-commercial, the written work is a blog (nothing very intellectual or substantial) and use is for academic purposes, it is expected that the current research is unrestricted by the copyright law.

Another ethical consideration that arises for this research is whether to credit the debtors who have written the blog for their work or to maintain anonymity of the research subjects. The current research will adopt the strategy of 'moderate disguise' (Bruckman, 2002), where online usernames will be changed and any potentially identifying information will be disguised.

Chapter 4 Collecting and Analysing the Data

4.1 Collecting the Data

As discussed in the last chapter, the research data about the debtors was collected from their online discussions. The data was collected by following the debtors' blog entries over a period of time i.e. longitudinally. The range of time for each debtor varied between 6 months to 9 years. The blogs were studied in order to build a debtors' "story" (Hammersley & Atkinson, 2007) and thus, understand their decisions in light of their individual circumstances. All the relevant entries from their weblog were copied into a single document.

4.2 Analysing the Data

It was important to study the vast amount of data and analyse it to form themes or factors important for the decision making of debtors. Humphreys (2010) has argued in favour of analytic induction, which involves tracking between theory and data, until a stable interpretation has been reached. The themes identified using the process are reliable as they are developed from and supported by theory. In order to further validate the themes, a process of content analysis has been favoured by Humphreys (2010), which helps quantify the importance of the themes within the data. A similar approach to analysis as Humphreys (2010) was envisaged for this research. However, Flick (1998) has critiqued content analysis as being a superficial technique. Flick (1998) has advocated other in-depth analyses to 'make sense' of the data and derive relevant categories and themes, which in

the current research would produce the themes or factors that influence decision-making of the debtors.

4.2.1 Coding and Analysis

Coding is explained as “representing the operations by which data are broken down, conceptualised and put back together in new ways. It is the central process by which theories are built from data” (Strauss & Corbin, 1990; p. 57). This research uses thematic coding for the analysis of data (Strauss, 1987; Flick, 1998). This further involves open coding and selective coding. Open coding “aims at expressing data and phenomena in the form of concepts” (Flick, 1998; p.180). Selective coding aims to elaborate the core category(s) or theme(s) around which the other developed categories can be grouped and by which they can be integrated (Flick, 1998).

The collected data was interpreted using thematic coding (Flick, 1998). Thematic coding was applied as a multi-step procedure. The first step addressed the debtors involved, which are interpreted by their blog entries and discussions in the online forum over a period of time, when they are in debt. A short description was prepared for each debtor, which was continuously modified during the interpretation of their data. Once the analysis of each debtor was finished the debtor profile was finalised and is presented in section 4.2.2.

Flick (1998) proposed that a deepening analysis of a single case, a debtor in this case should be carried out. The meaningful relations in the way that the respective debtor deal with the situation is preserved, which is why the analysis was done for each debtor individually. During the analysis, a system of categories or themes was developed for each

debtor. In order to further elaborate these categories, first open and then selective coding was applied. At this stage of analysis, selective coding was aimed at generating thematic domains and categories initially for the first debtor. The developed categories or thematic domains were linked to each of the debtors and thus, cross-checked. The coding paradigm used was the one suggested by Strauss (1987), which focuses on addressing the following issues: a) Conditions (what led to the debt, why did the debt occur, the background etc.); b) Interaction among actors (what happened once debt was accrued); c) Strategies and Tactics (Which way was debt handled, e.g. avoidance, denial etc.) and d) Consequences (What changed, consequences of actions etc.)

The coding required the profiling of individual debtors in the first stage. Once, the debtors had been profiled, a short biography of each debtor was generated. Each biography in turn helped in analysing the respective online discussions, thus enabling a debtor-oriented handling of the situation of getting into multiple problem debts. This helped in adjudging the decision-making of the debtors in the process.

4.2.2 Individual Debtor Biographies

The sample consisted of six debtors.

Debtor 1 is a 33 year old single female. She is a graduate and is currently working in a full-time job with an annual salary of approx £21,000 per annum. She describes herself as overweight and was forced to live with her father for a considerable period of time due to financial constraints. She reportedly suffers from low self-esteem due to her situation. She admits to have been landed into debt gradually after deciding to pursue further studies after

school rather than taking a job, which she regrets. She has debts of around £15,000 at present, which was £21,000 approx at its peak in 2004-05. She described herself as:

A pathetic person who hasn't grown up or shown responsibility for herself hence debt and still living at home at 32. Debtor 1

Debtor 2 is a 47 year old single male. He works as a senior fundraiser in a charity organisation with an income of approx £40,000 per annum. He describes himself as a 'hard-thinking prudent' individual. He is reducing his debts on a monthly basis currently. However, he admits to a careless money management style and lack of self-discipline as a source of debt rather than a single event, which landed him in debt of approx £40,000 by 2002, which he is still repaying. He left school at the age of 16. Until the age of 38, he was single, lived in bedsits, never had a serious relationship and was distressed at his state of affairs. In 2002, debtor 2 wrote:

I lose it thinking that I am a fraction under 40 years old, rent a single room in somebody else's house, don't drive a car, and haven't had a holiday away for over 14 years. Debtor 2 in 2002

Debtor 3 is a 35 year old female. Her debts were over £46,000 in 2004. She has two kids from her first marriage. She suffered from depression at the time when her debts were peaking and separated from her husband for a while in 2007 due to debt related stresses. She has primarily blamed her lifestyle choices, social pressures and experiencing pleasure

in consumption for her debts. Recently, she has repaid all her debts. Reflecting on how she got into multiple problem debts, debtor 3 wrote:

We deserved all the luxuries because we worked hard, and I did hate my job after all so I deserved to cheer myself up. Debtor 3

Debtor 4 is a retired female and was 63, when she last posted on the discussion board in 2006. In her working life she was an accountant and claimed to be a very numerate individual. She got into debts post-retirement, mostly through 'uncontrollable' spending on credit cards on internet gambling. She accumulated debts of £27,000 in just over two years. She claimed not to be depressed, however, seriously contemplated suicide in March 2005. While confessing to her debts in 2006, she wrote:

2.1/2 years later I have lost all my savings, sold my house, lost the equity in that, then started on credit cards. I have finished up with a very, very limited income and 27k of debt, in rented accommodation and no assets. Debtor 4

Debtor 5 is a male and was around 40 when he last posted on the message boards in 2005. He was in full-time employment, in a relationship with a child. His first marriage lasted for about ten years. He claims to have got into debt simply due to overspending. He first got into debt in early 1990s after he got married at an early age of 20. His marriage, birth of a child and general overspending left his credit rating in complete disarray for a period of 6 years. Once he recovered from that, he again got into the cycle of spending and debts. His problems were compounded by divorce and gambling. In his second relationship, he went

to the extent of defrauding his partner of £10,000 to maintain his spending. He last reported to have debts of £30,000.

...the financial sham we had created became public knowledge, one very messy and lengthy divorce later I found myself in my mid-thirties, living in a caravan and saddled with around 30k of debt. Debtor 5

Debtor 6 is a male and was 32 in 2006, when he last messaged. He had an annual income of £65,000 (in 2004) and debts of around £80,000. He went to university and started his career with a graduate job. He blames his reckless spending and lifestyle choices for his multiple problem debts. He claims his actions were responsible for his situation but still fails to give up on everyday 'luxuries' like lunch in the west end, possibly because of social pressures.

"I'm a well paid professional (£65K per annum) with a perfect credit rating. But no matter how high the salary, no matter how big the bonus, I find myself with a debt around my neck that is growing like an albatross." Debtor 6 in 2004

Although some of the debtors stopped posting on the blog few years back, it does not have any impact on the current research as the quality of the online discussions make them suitable for studying the debtors' decision-making, which is sufficient to answer the research questions.

Chapter 5 Interpreting the Data

5.1 Introduction

Each relevant weblog entry was coded, analysed, compared to existing theory and subsumed to categories. This was done for each of the 6 debtors studied by the researcher. The analysis was debtor-oriented i.e. the online discussions of each debtor was studied individually, coded and subsumed to categories. These themes were compared to literature to identify emerging themes. Having derived the themes for the first debtor, the analysis moved forward to the second debtor and was carried on for each debtor, while constantly checking and rechecking the themes developed for previous debtors.

For each debtor, the online discussions were studied from four different perspectives in order to reveal their true attitudes towards their debts and the decisions that they took. They were divided into: a) Conditions (what led to the debt): this was the most important subcategory within coding as the research aims at studying the decision making of debtors and what were the reasons behind their decisions, which lead them into multiple problem debts. The debtors' discussions were closely studied for any underlying themes that were emerging over a period of time. b) Interactions (what happened once the debt was accrued) this formed a significant part as to judge whether their decisions had undergone any change or the same set of themes influencing their decisions were still prevalent. This was helpful in adjudging the consistency of the important influences on their decisions. c) Strategies and Tactics (how did the debtors plan to and actually handled their debt) this helped judge their behaviour and decisions once a debtor had realised the problems he/she faced. This was helpful as it helped the researcher derive whether they actively dealt with

their debt or were in denial of the matter and progressively got more into debt. d) Consequences (what were the consequences of their actions) not largely important for the current research as the research questions are primarily concerned with how and why debtors got into multiple problem debts, rather than how effectively they dealt with it.

Once the themes were identified, they were tracked with existing literature to assign the themes to respective theoretical domains. Closer examination of the literature helped assign these themes to respective factors. For example, a theme that emerged was friends, family, neighbours or society's perceived image of the debtor and its impact on their decision making. Upon tracking this theme with literature, it was identified as social comparison and has been reported as one of the factors important for decision making of consumers in multiple problem debts.

5.2 Factors Important for Decision Making of Consumers in Multiple Problem Debts

The following sections are dedicated to factors that emerged after the analysis was carried out for each debtor.

5.2.1 Self Control and Impulsiveness

A common theme that emerged was the debtors' perceived lack of control over themselves, while making decisions. Such lack of control was compounded by short-sighted decision-making, where debtors tended to make decisions without paying much attention to their overall finances.

For example,

"So I applied, and got one [credit card] with a far higher credit limit than I had expected... So of course, I went and bought all sort of stuff I didn't need and before too long went over my limit" Debtor 2

"We began to live the life we had dreamed about, brand new 4 bed roomed executive detached house, two new cars on the drive, 2 horses, 2 foreign holidays a year....."
Debtor 5

"The more I get paid, the more I seem to spend" Debtor 6

"saying to yourself 'Oh its only £100 or so' ... but saying it too often" Debtor 4

"I could explain the way in which I started then continued out of control until I had nothing left" Debtor 4

Such behaviour has been explained in literature as lack of self-control, which has been reported by research as "sudden, often powerful urge(s) to buy something immediately" (Rook, 1987). Lack of self-control is associated with impatience, which is further related to an analogous concept of impulsiveness or impulsivity (Ainslie, 1975). Impulsive behaviour was evident in debtors' discussions, for example:

"I didn't save anything up for Christmas last year, then went a bit mad and ended up with a £400 Next bill and a £500 Argos bill" Debtor 3

"too much retail therapy has gone on" Debtor 3

On certain occasions, while making hasty, myopic decisions, debtors were aware of the consequences, however, still went ahead with such decisions. In their research on self-control, Thaler and Shefrin (1981) identified the conflict between short-run and long-run preferences as tenets of impulsiveness and self control. Theory suggests that such behavioural choices, which lead to impulsive purchases, would not have been made, had they been considered in terms of their long-term consequences rather than their immediate, gratifying benefits (Stigler and Becker, 1977). Further, time-proximity has been identified as an inducer of impulsive decisions (Strotz, 1956; Ainslie, 1975) i.e. the more immediate a reward, the greater is its reinforcing value (Chung and Herrnstein 1967). For example:

"Think I'll reward myself by having a beer or several down the Royal Victoria. Then tomorrow I'll take myself down to HMV and treat myself to a few of those CDs I've been thinking about buying. Oh, bother. It's another two weeks until payday. Still, never mind. I'll get a cash advance from my credit card to pay for the night in the pub, and use the same card to buy the CDs" Debtor 2

"I should have scrimped and saved when I had the chance. Instead, I let the money (and credit) go to my head, and spent like a drunken sailor" Debtor 6

"I'm set on being debt-free in four years. But it's tough, and temptation is everywhere"

Debtor 6

The above discussion presents clear evidence that debtors' decisions were influenced by lack of self-control and impulsiveness, as defined by literature (Thaler & Shefrin, 1981; Rook, 1987; Stigler & Becker, 1977). Self Control and impulsiveness are clubbed together in the current research as they share a lot of theoretical background (Strotz, 1956; Ainslie, 1975; Thaler & Shefrin, 1981; Hoch & Loewenstein, 1991) and are reported as a factor important for decision making of consumers in multiple problem debts.

5.2.2 Personality

Debtors' discussions presented evidence of certain personal traits being important for their decisions. There are several instances where debtors described their mental state while getting into and dealing with their debts. For example,

"My life is one big ball of stress right now and I don't feel I can control it." Debtor 1

"A fraction under £40,000, that was how much [debt I had]. I could have died" Debtor

2

"I was very stressed, had sleepless nights and ended up on Prozac because of the weight of carrying this debt around with me" Debtor 3

Theory suggests that personality is an important influence in an individual's decisions (Chaplin et al., 1988). One of the models of personality, trait theory advocates the use of the Five-Factor Model of (Goldberg, 1990; 1992). This model assumes that an individual's personality can be described as a combination of five specific factors. As discussed in section 2.4.1, these five factors include Neuroticism, Extraversion, Openness, Agreeableness and Conscientiousness.

Neuroticism is generally described using words such as fearful, anxious, pessimistic, worried and insecure (Barrick & Mount, 1991; Judge et al., 1997). Neurotic individuals are depressed, anxious and unstable. Debtors' discussions noted such states of mind, for example:

"My debts are one thing, but they are impinging upon EVERY decision I make in life. Hence the reason I feel so restricted, frustrated, depressed and suffocated" Debtor 1

"All sorts of thoughts went through my mind. Bankruptcy, eviction, homelessness, never being able to look my relatives in the eye again, even (briefly) suicide" Debtor 2

Openness is described with adjectives like imaginative, curious, original, broad-minded, and intelligent (Barrick & Mount, 1991). Individuals with high levels of openness enjoy new things, knowledge and experiences (Wang & Yang, 2007). For example:

"we deserved all the luxuries because we worked hard, and I did hate my job after all so I deserved to cheer myself up..." Debtor 3

Agreeableness often refers to courteous, flexible, good-natured, cooperative and tolerant individuals (Barrick & Mount, 1991; Costa & McCrae, 1992). Agreeable people are cooperative, cheerful and supportive of others (Wang & Yang, 2007). Lack of agreeableness or low on agreeableness individuals can be expected to have opposite traits. Debtor 1, for example, appears to be low on agreeableness:

"I am sad that life hadn't come easier, but hey, I DO think I'm one of life's very unlucky people" Debtor 1

I don't want to be judged. I don't want to be castigated. I don't want the smug elite you clearly haven't ever had to deal with worries in their lives looking down on me and telling me I've done wrong. Debtor 1

Conscientiousness is the tendency to be organized, efficient, and systematic (Barrick & Mount, 1991; Saucier, 1994). Conscientious individuals are punctual, reliable, determined, and likely to have a strong need for achievement (Digman & Takemoto-Chock, 1981; Costa & McCrae, 1992). Lack of conscientiousness can be expected to be the opposite of the above, for instance

"Right now I don't have the will to do anything. I feel everything in the whole world is stacked against me" Debtor 1

"I have always wanted to be DebtFreeOneDay. I've struggled and I have tried. However now I feel I can't and I'll have to continue living like this so as to ease my own conscience and keep the shareholders and the nay-sayers happy" Debtor 1

Personality as a whole can be argued to be important for decision making of the debtors. However, more research is required to establish which specific traits are more significant. For the current research, it is evident that the debtors' state of mind drives the way debtors perceive their circumstances, which influences their decisions. Denial of the situation, helplessness, depression and a perceived inability to make a change are evident. Thus, personality is identified as a factor relevant to the decision-making of debtors.

5.2.3 Locus of Control

Another common theme that emerged from the analysis of the debtors' discussions was debtors' attitude and perceived lack of control over their finances, decisions and general tendency to lack of ownership to their decisions. Lunt (1989) argued that debtors' attributions vary in locus i.e. can range from complete blaming to partial blaming of circumstances and others, but remain consistently stable, tending to reflect a perceived lack of control over events in one's life. Largely speaking these debtors admitted to be unable to make effective decisions and also, tended to blame others, their fate or indeed life events, for their predicament. There was a general lack of ownership towards one's actions. For example:

"I lose it blaming hard luck and everything else for my predicament" Debtor 2

“I felt hugely relieved to be passing the buck” Debtor 3

In order to make theoretical sense of the data, existing literature was consulted. Rotter (1966) argued that perception of personal control and responsibility for personal successes and failures is described as one’s Locus of Control (LoC) orientation, which can range from external, characterized by a limited belief in personal efficacy, to internal, characterized by the expectation that one can affect outcomes. Rotter’s (1966) theorising of Locus of External, in specific external LoC is clearly evident in the debtors’ discussions. For example,

“I blamed my now ex-wife for the situation I had now found my self in” Debtor 5

“I am sad that life hadn't come easier, but hey, I DO think I'm one of life's very unlucky people” Debtor 1

It may be concluded from the above discussion that debtors tend to have an external locus of control (Lefcourt, 1982; Dessart & Kuylen, 1986). Lefcourt (1982) argued that internal locus of control is associated with purposive decision making and confidence in the ability to succeed at valued tasks, whereas, those who are more external in their orientations are more likely to experience financial difficulties and to act impulsively, and are less likely to plan ahead, to act according to a plan, and to be well informed (Dessart & Kuylen, 1986). Thus, locus of control was identified as a significant factor for decision making.

5.2.4 Social Comparisons

As discussed in section 2.3, the impact of social comparisons has been well-documented in the literature on personal debt. Livingstone and Lunt (1992) reported that status-driven consumption and expenditure i.e. 'Keeping up with the Joneses' is a significant influence on consumers who tend to land into debt. For example:

"And you have to get the best things for your kids don't you...because that's what's important, make sure everyone knows you're the bizz" Debtor 3

"Going to work each day costs me nearly £20, when you figure in the Tube fare, lunch in the West End, and maybe a coffee each day. The lunch and coffee are luxuries, but I'm not yet ready to give these things up" Debtor 6 after accruing debts of £80,000 approx.

"switching to a beans-on-toast diet, allowing myself a single pint a month, and drinking Nescafe in the office kitchen isn't going to work for me" Debtor 6

Thus, debtors clearly seem to be driven by other's perception of them and seem unwilling to change their consumption pattern because of the same. Livingstone and Lunt (1992) and Lea et al. (1995) discussed the importance of family background and their expectations in determining the level of debt a consumer has. For example:

"...people envied us, my younger brothers aspired to be me, my father even said he was 'proud' of me" Debtor 5 on his lifestyle created by buying things on credit, which he could not afford

"Last year I spent £55.00, of money I didn't have, on my friend's child (my God daughter)" Debtor 1

The debtors' discussions present evidence that social and peer pressure made these debtors take decisions and incur expenses that they could not afford. Hence, social comparisons in identified as a factor important for debtors' decision-making.

5.2.5 Money Management Style

"Money is probably the most emotionally meaningful object in contemporary life" (Krueger, 1986, p.3). Management of money differentiates how well an individual is able to utilise a given pool of money. Existing literature on debt has identified weak money management as an important predictor of being in debt (Cameron & Golby, 1990; Lea et al., 1995). The debtors studied in the current research tended to have weak money management style. For example:

"We always banked on the fact that I'd go back to work full time when the kids were old enough and we'd be able to pay it off easily" Debtor 3

"I started working part time with the intention of saving but it never worked out like that" Debtor 3

"It [Debt] stands net at just under 20k. I've just added £350 to my savings so that stands at about £3200" Debtor 3

The above quotations from the debtors highlight their weak money management style. For instance, Debtor 3 chose to save money rather than use the money to pay some portion of the debts. Debtor 3 also suffered from spending the money which she expected to come from her job, thus spent money that she did not have. Further, it can be argued that weak money management is reflected in the following discussions by debtor.

"I lose it knowing that despite all my debt, I have absolutely nothing to show for it"

Debtor 2

"I also like the feeling of "security" untapped credit creates" Debtor 6

It is evident that debtors seem to have made some very irrational financial decisions, which can be argued to have contributed to their debts. Thus, weak money management style is identified as an important factor in decision making of debtors.

5.3 Conclusion

The analysis of the debtors' online discussions helped identify five factors important for the decision making of consumers in multiple problem debts. The coding scheme helped identify the underlying themes, which were tracked with the existing literature

(Humphreys, 2010) to arrive at the set of factors. These are: a) Self control and impulsiveness; b) Personality; c) Locus of Control; d) Social comparisons and e) Weak Money Management. All these factors were important for debtors' decision making, however further research is needed to establish their relative importance.

Chapter 6 Summary of Findings and Conclusion

6.1 Summary of Findings

The analysis and interpretation of data as discussed in chapters 4 and 5 helped identify a set of five factors important for decision-making of consumers in multiple problem debts.

6.1.1 Self-Control and Impulsiveness

Literature has shown that those with low self-control and impulsive traits bear close resemblance (Hoch & Loewenstein, 1991). The current research suggests that consumers in multiple problem debts generally tend to have low self-control and are high on impulsiveness, which reflects in the way they make their decisions too. This can be explained by their low threshold to purchase impetus, experiencing pleasure in consumption (Livingstone & Lunt, 1992) and inability to delay gratification in exchange of greater rewards (Benzion et al., 1989). This finding further supports the suggestion made by Cameron & Golby (1990), which indicated at the importance of low self-control in consumer debts. However, they did not empirically test it.

6.1.2 Personality

Personality is an important determinant for individual decision making (Chaplin et al., 1988). This claim has been further supported by the findings of the current research, where debtors make continuous mentions of their traits, their state of mind and their impact on their decisions. Literature on personal debts has also made references to personality traits without establishing a direct link between personality and debts. However, literature suggests factors such as impatience, denial etc. as being important in consumers' debt,

which are also important contributor to trait theory of personality (Goldberg, 1990). Since an individual is highly guided by his or her personality in day-to-day lives (Kline, 1983) and decision-making (Chaplin et al., 1988), it is discernible for it to be important in decisions of debtors too. The findings suggest that those in debt normally tend to be for instance, high on neuroticism and low on agreeableness, however, further research is required to empirically establish the role of each big-five trait in the decision-making of consumers with multiple problem debts.

6.1.3 Locus of Control

Locus of control was revealed to be an important factor for decision-making of debtors. The literature suggests that those consumers with external locus of control tend to blame others for their decisions and feel less in control of their lives and decisions (Rotter, 1966). The findings suggest that consumers in multiple debts have an external locus of control. This can be explained further, as such consumers find it easy to blame others, thus do not own-up to their decisions. Hence, any decision to get further into debt is easily blamed on circumstances or others without any guilt whatsoever. This finding further supports the findings of Tokunaga (1993).

6.1.4 Social Comparisons

Existing literature on debts has reported contradictory evidence as far as role of social comparisons is concerned in personal debts. Social comparisons is referred to as keeping up with one's peers in terms of consumption and goods that one possesses, which is metaphorically termed as "Keeping up with the Joneses" (Lunt & Livingstone, 1991). The current research has found that social comparisons form an important influence in the

decision-making of debtors, where the pressure of expectations and to maintain one's image can come from family, friends and neighbours. This further supports the findings of Lunt and Livingstone (1991).

6.1.5 Money Management Style

Money management style refers to the way an individual or a household unit manages the money that they have. Debtors are reported by literature to have weak money management styles (Walker et al., 1992; Lea et al., 1995). The current research found further support for this finding. As discussed in chapter 5, the debtors' discussions had clear evidence of weak money management style, which is potentially an important factor in their decision-making.

6.2 Theoretical Contribution

The existing literature has lacked in addressing the problem of personal debts from an individual's perspective and has largely failed to take into account the relevance of psychological factors. The current research has made a step in this direction by presenting factors that influence the decision-making of consumers in multiple problem debts. The research has contributed to the existing literature by highlighting the role of psychological factors such as personality, self-control and impulsiveness. The research findings are further vindicated as the sample consisted of consumers who have/had multiple problem debts and the research design involved research on real decisions made by such debtors. The results of this research also attempt to fill in the overall gap in academic literature, which appears to have lagged behind the growth in personal debts in the UK in the past decade.

6.3 Limitations of the Research

The current research is qualitative in nature and was based on a relatively small sample of debtors. This may be viewed as a limitation of the research with regards to being representative of all debtors. However, 'in a qualitative piece of research, the most important basis for determining sample size is that of research purpose' (Marshall & Rossman, 2006:p.63). In addition, Eisenhardt (1989) argued for qualitative studies that '... while there is no ideal number of cases to include in a sample, a number between 4 and 10 usually works well'. Humphreys (2010) argues that sample should be restricted by the number that provides theoretical saturation for the research. Given the above considerations, the research tracked discussions of six debtors, who were chosen after careful consideration of a much larger number in order to represent a wide set of age, income, education, family status etc.

Research design with a qualitative approach is generally criticised for the lack of objectivity and generalisability (Schofield, 1990). In defence, Vidich and Lyman (1998) pointed out that rather than producing 'valid generalisations and substantive conclusions', it is more important to produce interpretations and 'thick descriptions' (Geertz, 1973) in order to understand a research subjects' life and his/her 'story' (Hammersley & Atkinson, 2007). With regard to qualitative research, Schofield (1990) noted that generalisability needed to be reconceptualised. Citing Guba and Lincoln (1981, 1982) who argued that generalisability in qualitative research should be substituted with 'fittingness', which emphasises the degree to which a particular situation been researched matches the situation a researcher is interested in. Similar arguments were given in favour of 'comparability' and

‘translatability’ (Goetz & LeCompte, 1984) and ‘naturalistic generalisation’ (Stake, 1978).

Schofield (1990) argued in favour of a few strategies to improve the generalisability of qualitative research. These include making multiple visits to the same research site, making the research multi-site by including sites typical for that research and comparing results from multiple sites and within the same research site. All these suggestions were adopted by the research by way of studying debtors longitudinally and comparing the results of various debtors, in order to improve the generalisability

6.4 Further Research

This research aimed to investigate the factors that influence the decision-making of consumers in multiple problem debts. Five key factors have been identified; self control and impulsiveness, personality, locus of control, social comparisons and weak money management style. It would be interesting for the research to delve into the role of self-control and individual personality traits for the decision-making of consumers in multiple problem debts. These variables have not been tested using the survey method which was deemed beyond the scope of this research. The researcher aims to undertake this as a part of his PhD.

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